

WHITEMARSH TOWNSHIP
Lafayette Hill, Pennsylvania

Financial Statements

Year Ended December 31, 2008

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DRESLIN AND COMPANY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Whitemarsh Township
Lafayette Hill, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Whitemarsh Township, Pennsylvania, as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Whitemarsh Township, Pennsylvania, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component unit, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Whitemarsh Township, Pennsylvania, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July xx, 2009, on our consideration of the Whitemarsh Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 19 and page 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Whitemarsh Township, Pennsylvania. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dreslin and Company, Inc.

September 10, 2009

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis
Required Supplementary Information
December 31, 2008

The following discussion and analysis of Whitemarsh Township's financial performance provides an overview of the Township's financial condition and activities for the fiscal year ended December 31, 2008. The purpose of this discussion is to provide a narrative summary of the financial position and activities of Whitemarsh Township in order to enhance the reader's understanding of the Township's basic financial statements. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Township's financial performance.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

Financial Highlights for Fiscal Year 2008

Government-Wide Financial Statements (Full Accrual)

- Total net assets (assets less liabilities) of the Township were \$32.23 million at the end of 2008 – up \$2.63 million from the end of 2007. The majority of the increase in net assets was a result of continued increases in Local Enabling Tax Act revenues including Earned Income and Business Taxes.
- General revenues and program revenues of the Township amounted to \$20.36 million in 2008 while expenses totaled \$17.73 million.

Fund Financial Statements (Modified Accrual)

- At year-end, the Township's total governmental funds reported a fund balance of \$12.95 million, a decrease of \$1.69 million from the prior year.
- The Township's General Fund reported revenues and other financial sources and uses in excess of expenditures by \$437 thousand resulting in a year ending fund balance of \$8.32 million.

Financial Statements

Prior to 2003, the primary focus of local government financial statements had been to provide fund type information on a current financial resource basis. This approach was modified in 2003 by the Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management Discussion and Analysis -for State and Local Governments (GASB 34) which established new requirements and a new reporting model for the annual financial reports of state and local governments.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2008

The following chart summarizes the major features of the financial statements, including the portion of the Township's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of Whitemarsh Township
Government-wide and Fund Financial Statements

	<u>Government-Wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire Township (except fiduciary funds).	The activities of the Township that are not proprietary or fiduciary, such as general government, public safety, public works and recreation.	Activities the Township operates similar to private business – Sewer Enterprise Fund, Internal Service Funds	Instances in which the Township is the trustee or agent to someone else's resources – Pension Trust Funds, Agency Funds.
Required financial statements.	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; Statement of Cash Flows	Statement of Fiduciary Net Assets; Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus.	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information.	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow – outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
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Government-Wide Statements

The government-wide statements report on the Township as a whole using accounting methods similar to those used by private sector companies. This analysis begins on page 9. One of the most important questions asked about the Township's finances is, "is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Whitemarsh Township as a whole and about its activities in a way that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

These two statements report on the Township's net assets and on changes in net assets. The Township's net assets are the difference between its assets and liabilities and one can use net assets as one way to measure the Township's financial health or financial condition. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial condition is improving or deteriorating. Other non-financial factors will need to be considered, however, such as changes in the Township's property tax base and the condition of the Township's roads, to assess the overall health of the Township.

In the government-wide financial statements, the Township's activities are divided into two categories:

- Governmental activities - Most of the Township's basic services are reported here including police and emergency services, public works, sanitation, code enforcement, parks and recreation and general administration. Property taxes, business gross receipts, earned income taxes, user fees and state and local grants finance most of these activities.
- Business type activities - The Township continues to operate its own sanitary sewer treatment system.

Fund Financial Statements

The fund financial statements begin on page 23 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. Others are established to help control and manage money for particular purposes or to show that the Township is meeting legal responsibilities for using certain taxes, grants or other funds.

Whitemarsh Township has three kinds of funds:

- Governmental Funds - Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided after the governmental funds statement that explains the relationship (or differences) between them.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
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December 31, 2008

- Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Township uses an internal service fund to account for the financing of goods and services provided by the Fleet and Facilities department to other departments of the Township. The Sewer Enterprise Fund is reported as a proprietary fund and uses the same basis of accounting and measurement focus used in the business-type activities portion of the government-wide statements.
- Fiduciary Funds - The Township is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in the fiduciary net assets. These activities are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

The following table reflects the condensed statement of net assets:

Statement of Net Assets - December 31, 2008 and 2007 (in thousands)

	2008		2007	
	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities
Current Assets	\$ 13,925	\$ 2,245	\$ 15,957	\$ 2,367
Net Capital Assets	13,740	7,023	9,885	6,885
Other Noncurrent Assets	<u> </u>	<u>220</u>	<u>52</u>	<u>295</u>
Total Assets	<u>\$ 27,665</u>	<u>\$ 9,488</u>	<u>\$ 25,894</u>	<u>\$ 9,547</u>
Current and Other Liabilities	\$ 863	\$ 810	\$ 1,240	\$ 772
Long-Term Liabilities	<u>2,100</u>	<u>1,152</u>	<u>2,487</u>	<u>1,346</u>
Total Liabilities	<u>\$ 2,963</u>	<u>\$ 1,962</u>	<u>\$ 3,727</u>	<u>\$ 2,118</u>
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	\$ 13,740	\$ 7,023	\$ 9,885	\$ 6,885
Unrestricted	<u>10,962</u>	<u>503</u>	<u>12,282</u>	<u>544</u>
Total Net Assets	<u>\$ 24,702</u>	<u>\$ 7,526</u>	<u>\$ 22,167</u>	<u>\$ 7,429</u>

For more detailed information see the Statement of Net Assets on pages 20 and 21.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
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Net assets may serve over time as a useful indicator of a government's financial position. Whitemarsh Township's assets exceeded liabilities by \$32.23 million as of December 31, 2008 and by \$29.60 million as of December 31, 2007. The largest portion of the Township's net assets reflects its investment in capital assets (e.g. land, buildings and equipment), less the outstanding debt to acquire these assets. The restricted net assets portion (if any) represents resources that are subject to external restrictions on how they may be used; restricted net assets are also reported net of the related outstanding debt. The unrestricted net assets for governmental activities is the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The following table shows the revenues, expenses and changes in net assets (in thousands) of the governmental activities and business-type activities:

	2008		2007	
	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities
Revenues:				
Program Revenues:				
Charges for Services	\$ 3,042	\$ 2,303	\$ 2,425	\$ 2,087
Operating Grants and Contributions	1,035		992	
Capital Grants and Contributions	28	87	410	426
General Revenues:				
Taxes	13,022		15,314	
Other General Revenues	851	(8)	867	97
	17,978	2,382	20,008	2,610
Expenses:				
General Government	3,022		3,305	
Public Safety - Police	5,569		5,047	
Public Safety - Other	1,662		1,769	
Public Works - Sanitation	1,368	2,285	1,654	2,072
Public Works - Highway	2,368		1,663	
Culture and Recreation	1,267		1,322	
Community Development	111		15	
Interest on Long Term Debt	77		7	
	15,444	2,285	14,782	2,072
	\$ 2,534	\$ 97	\$ 5,226	\$ 538

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Management's Discussion and Analysis (Continued)
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Expenses by Function for the Year Ended December 31, 2008

The following table presents the cost of each of the Township's programs as well as the programs' net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Township's taxpayers by each of these functions.

<u>Functions/Programs</u>	2008		2007	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$ 3,021,514	\$ 2,318,969	\$ 3,304,691	\$ 2,998,496
Public Safety - Police	5,568,884	5,182,765	5,046,831	4,716,266
Public Safety - Other	1,661,842	1,005,338	1,768,514	1,135,870
Public Works - Sanitation	1,368,230	(145,282)	1,653,616	424,492
Public Works - Highway	2,367,989	1,975,980	1,663,496	1,093,222
Culture and Recreation	1,266,602	813,203	1,322,258	964,550
Community Development	111,127	110,546	15,583	(384,417)
Interest on Long Term Debt	77,405	77,405	7,460	7,460
Total Governmental Activities	<u>\$ 15,443,593</u>	<u>\$ 11,338,924</u>	<u>\$ 14,782,449</u>	<u>\$ 10,955,939</u>

Financial Analysis of the Township's Funds

As discussed, governmental funds are reported in the fund statements with a short term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. At the end of fiscal 2008, the Township's governmental funds (as presented in the balance sheet on page 23) reported a combined fund balance of \$12.95 million, which is 12% less than last year's ending total of \$14.64 million.

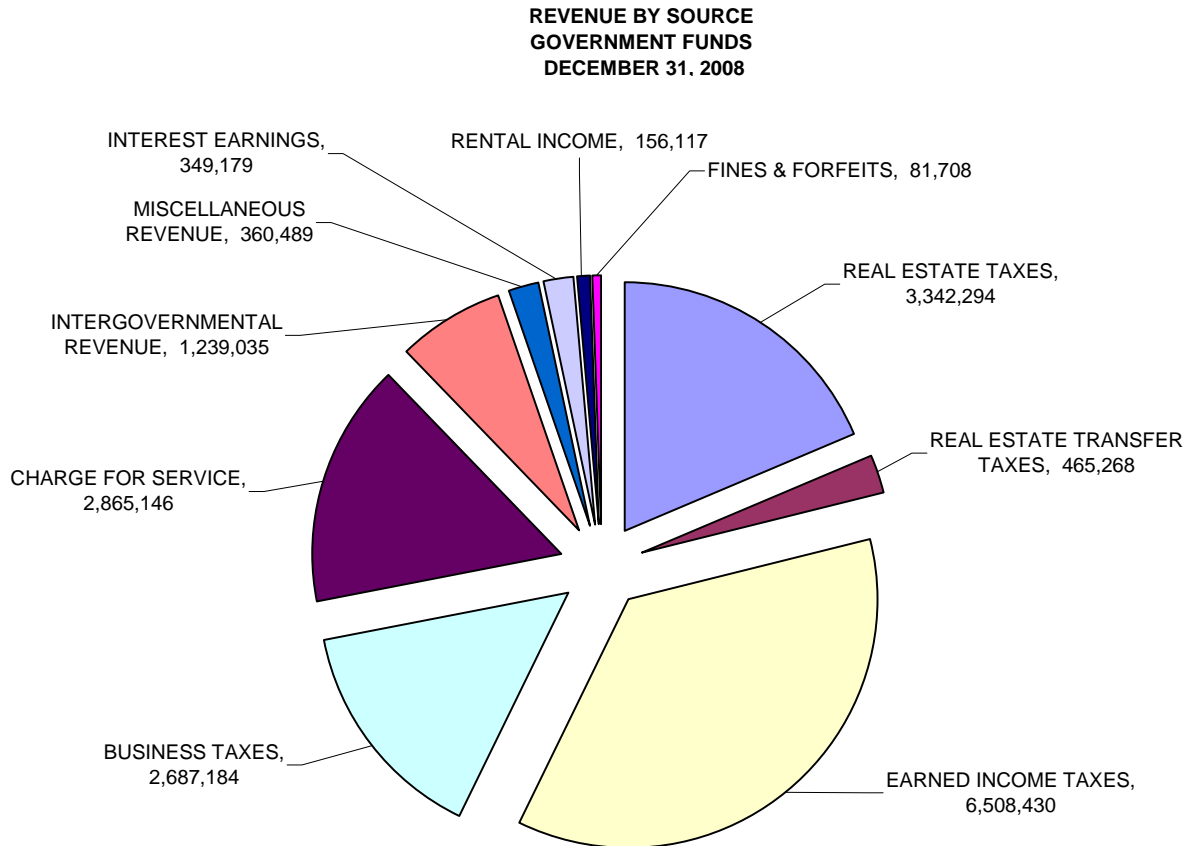
Major Governmental Funds

The General Fund is the Township's primary operating fund and is used to account for the majority of services provided on a daily basis. The fund balance of the General Fund increased \$436,648 in 2008.

The Capital Reserve Fund is used to account for amounts set aside in prior years to fund capital additions and debt service obligations of the Township. The fund balance decreased \$1,202,967 in 2008.

WHITEMARSH TOWNSHIP
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For the fiscal year ended December 31, 2008, revenues for governmental funds totaled \$17.9 million. Sources of revenue for the fiscal year 2008 are comprised of the following items:

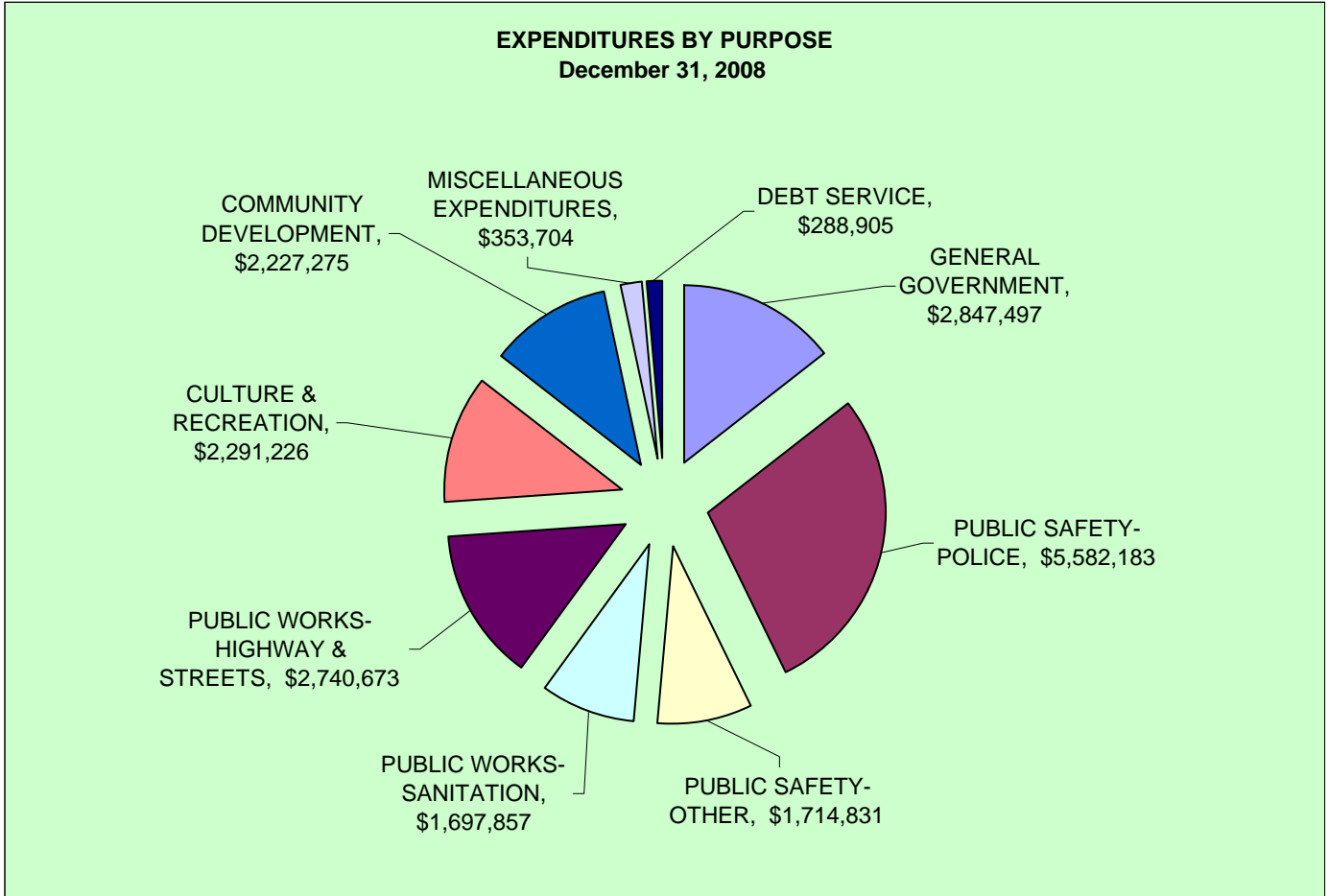


The earned income tax is the Township's largest revenue source at \$6.51 million (36% of total revenues). The Township's second largest revenue source, real estate taxes, totaled \$3.81 million (21%). (The Township's assessed value of real property exceeded \$1.6 billion.) Business taxes generated \$2.69 million (15%). Other sources of general revenues amounted to \$850,757.

Revenues received in fiscal 2008 to fund specific Township programs totaled \$3.60 million. This included \$3.04 million (17% of total revenues) for direct charges for Township services and \$1.06 million (6% of total revenues) from operating grants and capital program grants and contributions.

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Management's Discussion and Analysis (Continued)
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Expenditures for the fiscal year 2008 are comprised of the following items:



Capital Assets and Debt Administration

Capital Assets

At the end of 2008, the Township had \$20.8 million invested in a broad range of capital assets, including land, buildings, vehicles and equipment. This amount represents a net increase of \$4.0 million above last year after recording additions and deductions for the year.

Long-Term Debt

The Commonwealth of Pennsylvania sets the borrowing limit, called the "Borrowing Base", of the Township through the State Local Government Unit Debt Act. The Township's "Borrowing Base", as calculated using the annual arithmetic average of total revenue (as defined in the Debt Act) for the three most recent full fiscal years, is in excess of \$22 million. The Township's non-electoral debt limit is 250% of the aforementioned borrowing base or \$55 million. At the end of 2008, the Township's level of outstanding debt, \$3.1 million, was well below its "Borrowing Base" capacity.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
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Economic Factors and Next Year's Budgets

The Board of Supervisors of Whitemarsh Township considers many factors when establishing budget appropriations, tax rates and fee schedules. One of the most important factors currently facing the Board of Supervisors is the impact of storm water and flood related infrastructure repairs and capital improvements necessitated by the damage caused by tropical storm Jeanne on September 28, 2004 and a heavy rainstorm on August 1, 2005. Both events were categorized as 100+ year storms.

The Board of Supervisors formed a Storm Water Task Force to develop recommendations for near-term and long-term solutions. The principal goals of the Taskforce were:

Development and implementation of specific engineering and infrastructure improvements to reduce the impact of flooding; and

Propose alternative funding mechanisms and payment options for the required infrastructure improvements.

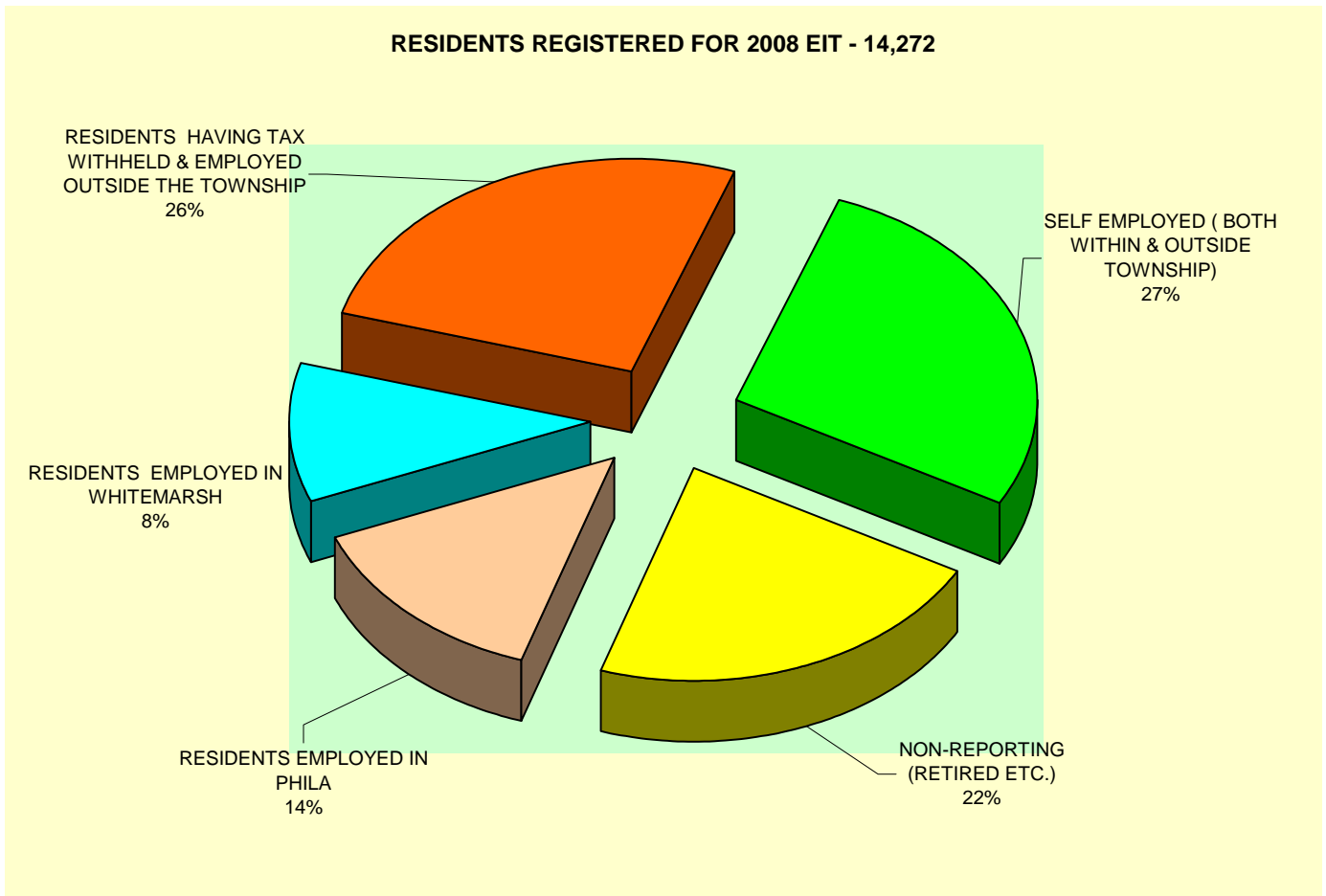
Approved plans call for specific engineering and infrastructure improvements to be made in two phases:

Phase I addressed immediate improvements to repair storm damage and improve drainage by taking corrective action, such as adding storm sewer inlets and expanding detention basins. Phase I has been in place since 2004 during which \$2.3 million has been expended on such projects as storm water management and flood control projects, including related engineering costs. During 2008, approximately \$262,000 was expended on related storm water management efforts.

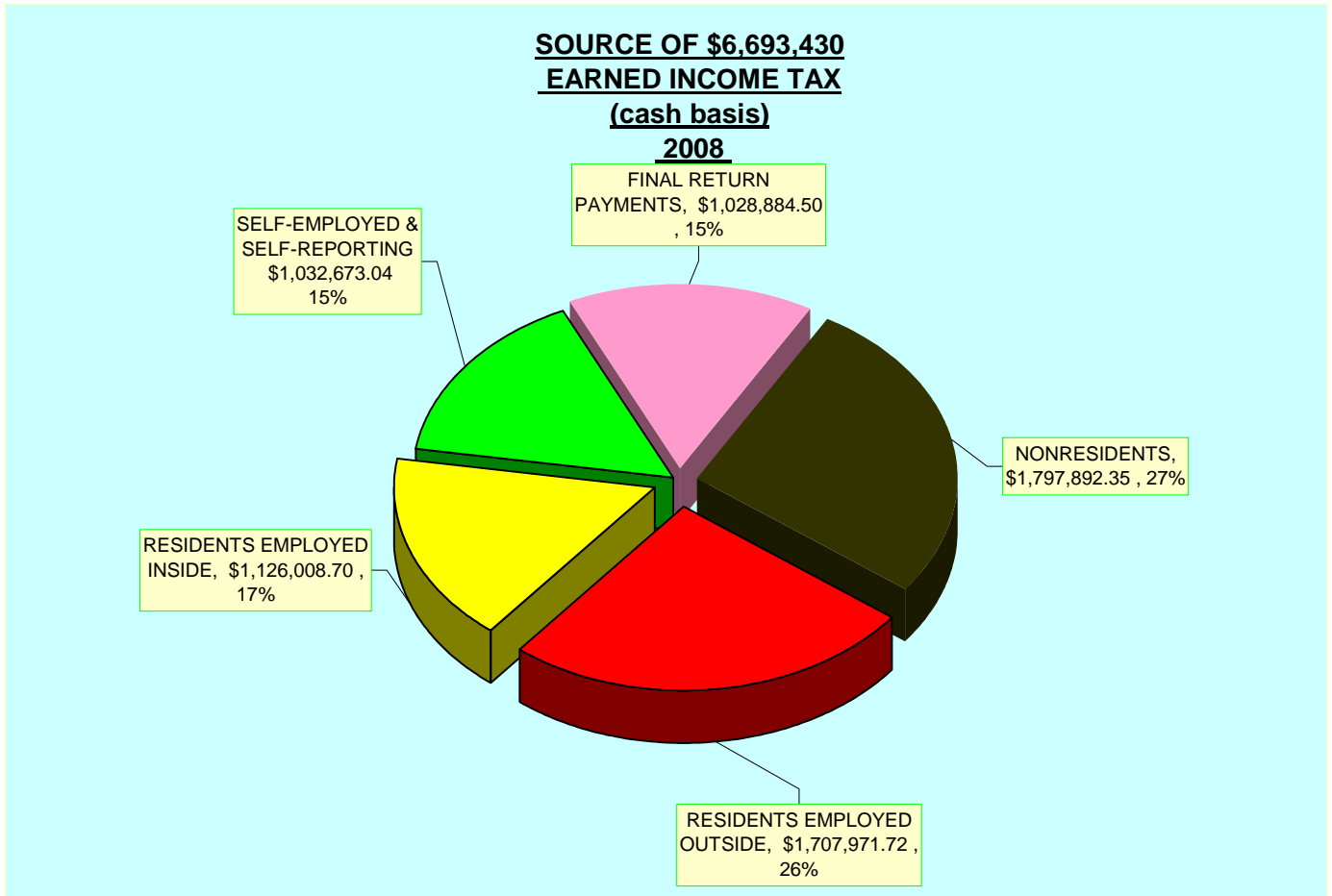
Phase II will focus on longer-term problems and solutions, which will take place beyond the year 2008. The Township is exploring the feasibility of long term financing of approximately \$15 million to fund not only future storm water related infrastructure improvements, but also park improvements, wastewater treatment plant upgrades and the acquisition of open space conservation easements. As part of this process, the Township conducts financial analysis to determine if the related debt service will be supported by existing tax revenues.

WHITEMARSH TOWNSHIP
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The Township enacted an earned income tax effective February 1, 2003 at the rate of .5%. The earned income tax applies to wages, compensation, and net profits earned by individuals living or working in Whitemarsh Township, with the exception that residents paying the Philadelphia Wage Tax are exempt from the Whitemarsh earned income tax. Collections of earned income tax during 2008 and 2007 amounted to \$6,693,430 and \$5,473,857, respectively. Graphs shown below depict the distribution of the earned income tax residents and nonresidents, in addition to the number of registered residents for 2008.



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Management's Discussion and Analysis (Continued)
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The Colonial School District adopted a .5% earned income tax on May 26, 2005 effective on July 1, 2005, increasing the rate of tax for earned income tax on residents from .5% to 1%. As a result, in order to establish parity between the rates of earned income tax paid by residents of Whitemarsh Township and non-residents who work in Whitemarsh Township and are subject to the earned income tax of Whitemarsh, Whitemarsh Township raised its rate of tax for the earned income tax from .5% to 1% effective July 1, 2004.

In accordance with the Whitemarsh Township Open Space Plan, Whitemarsh Township has adopted Ordinance #796 establishing “The Hill at Whitemarsh and Adjacent Open Space Tax Increment Financing District” (The Hill TIF) for a period of twenty years. The Township thereby allocates 100% of the positive real estate tax increments to be collected from The Hill TIF during the term of the district and remit such tax increments to the Redevelopment Authority of Montgomery County for the payment of costs of acquiring open space adjacent to The Hill at Whitemarsh development.

The Colonial School District and Montgomery County have also dedicated and appropriated their respective share of positive real estate tax increments from The Hill District to the Redevelopment Authority for the payment of costs of acquiring open space as part of The Hill TIF Project.

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Management's Discussion and Analysis (Continued)
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Preliminary estimates show the Township amount of tax increment revenues dedicated to the TIF Project by Whitemarsh Township based on an estimated post completion assessed value of \$67,696,000 is approximately \$100,000 annually. As of December 31, 2008, 90% of the dwelling units in Phase I of The Hill at Whitemarsh became available for occupancy and the partially completed assessment for The Hill at Whitemarsh is \$48,449,840. Tax increment revenues paid to the TIF Project by Whitemarsh Township during 2008 amounted to \$60,000. Tax increment revenues will be dedicated for the twenty-year term of the TIF District. Dedicated tax increment revenues can increase as and when the assessed value of the TIF District real estate is increased and as and when the real estate tax millage rate is increased.

In a question appearing on the November 7, 2007 General Election Ballot, 62% of Whitemarsh Township residents voted in favor of adopting an increase of .25% in the earned income tax rate for the purpose of land preservation pursuant to Act 153, Open Space Lands Act. The Township Board of Supervisors enacted the .25% increase effective January 1, 2007. Revenues from the .25% increase are dedicated to Open Space Preservation generated \$1,600,000 for this purpose in 2008.

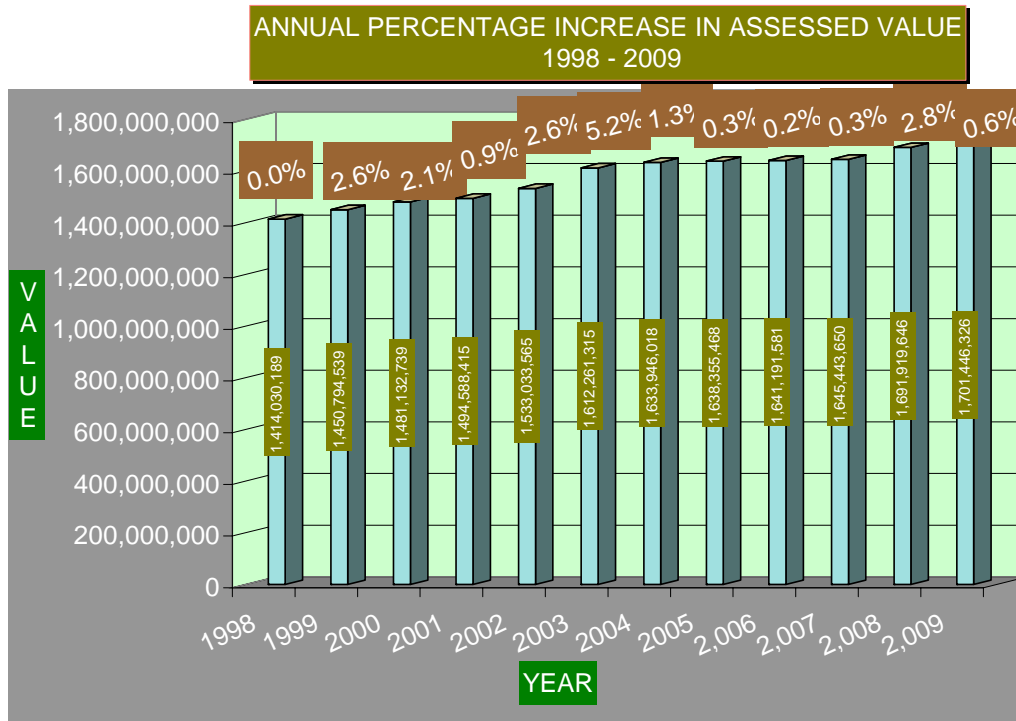
Whitemarsh Township borrowed \$1.9 million to fund a contribution to the Whitemarsh Foundation dedicated to be used for the eventual purchase of the Angus Tract of Erdenheim Farm for the perpetual preservation of the property as open space for the public benefit. The contribution was financed with a \$1.9 million general obligation note for a 10 year term at an average fixed rate of interest of 3.89%. Pursuant to a Declaration of Conservation and Open Space Easements among Whitemarsh Township, Colonial School District, Montgomery County and the Whitemarsh Foundation on December 22, 2008, Whitemarsh Township acquired a conservation and open space easement on real property known as the Angus Tract of the Erdenheim Farm. The debt service for the acquisition will be funded through (1) the use of funds dedicated for this purpose in accordance with the Open Space Lands Act (Act 153) and raised in connection with an increase in the Township's Earned Income Tax, pursuant to a referendum approved by the Township electors on November 7, 2006, and (2) the commitment of 100% of the positive real property tax increments collected on behalf of the Township from the Hill at Whitemarsh and Adjacent Open Space Tax Increment Financing District in accordance with a Tax Payment/Payment in Lieu of Taxes Agreement entered into by the Township, the Tax Increment Financing District and Whitemarsh Continuing Care Retirement Community, a Pennsylvania not-for-profit corporation.

During 2007, Whitemarsh Township executed Cable Franchise Agreements with two major cable services providers for the use of Township rights-of-way in providing cable services to subscribers located within Whitemarsh Township. The aforementioned agreements provide for the payment of franchise fees to the Township for the use of the right-of-ways for the purpose of constructing, operating and maintaining cable systems throughout the Township. The amount of revenue generated by the franchise fee during 2008 was \$390,000. Annual revenues from Cable Franchise Fees going forward are expected to approximate \$300,000. Initial revenues from the franchise fee are expected to finance the production and implementation of the Whitemarsh Township Cable TV system, which is anticipated to be fully operational during 2009. As part of the Franchise Agreement, Cable Services Providers agreed to supply the Township with one educational and one governmental channel for the exclusive use by the Township. The channels

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will be used for programming related to community, governmental and/or educational activities in order to inform the citizenry by highlighting community activities, showing local government at work, and responding to local community and educational needs. The Township shall have complete control over the content, scheduling, administration and all other programming aspects of the various channels supplied.

In late December 2007, the Township amended its Zoning Code to permit a Riverfront Development District (RDD) to recognize the unique character of the natural resources of the Schuylkill Riverfront and to preserve and enhance the public's access to the area. It is further the intent of the RDD to promote redevelopment to correct inadequate street patterns and access to abandon industrial buildings that are obsolete in terms of economic feasibility in order to allow better use of the waterfront properties and promote development and redevelopment while conserving land in other areas of the Township. By doing so, the Township hopes to significantly add to the real estate tax assessment base which has been relatively level over the last ten years (see chart showing growth in assessed value), thereby increasing tax revenues for the Township without encroaching upon valuable open space in other areas of the Township.



The Township commenced Single Stream Curbside Recycling Collection for approximately 5,400 residences. The Township entered into a Commodity Value Reimbursement Agreement for Single Stream Residential Recycle Marketing Services. At the time the Agreement was executed in November of 2008, the net revenue to the Township was estimated to be \$10.96 per ton delivered to the processor. However, as commodity markets experienced unprecedented price declines thus far in 2009, there is no end in sight to the market downturn. Accordingly for 2009, the Township is expected to pay \$120,000 in additional tipping fees to dispose of the recyclable materials.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
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Major Capital Fund Expenditures

Park Improvements including building and landscaping	
Reconstruction	\$1,035,000
Acquisition of 5,300 recyclable containers	\$ 303,000
Storm Water Improvements	\$ 262,000
Creation of a sidewalk along Joshua Road between	
Ridge and Germantown Pike	\$ 138,000
Township share of alignment of Intersections of	
Butler and Flourtown Roads	\$ 75,000
Department of Public Works Garage Improvements	\$ 40,000

Other Grants Funding

Technology Grant from the U.S. Department of Justice	\$ 32,000
Motorcycle Grant from the Commonwealth of Pennsylvania	\$ 30,000

Fire Companies and Ambulance financial aid, including in-kind contributions, paid drivers and an additional Life Support Crew, increased in 2008 over 2007 as follows:

	<u>2008</u>	<u>2007</u>	<u>Increase</u>
Fire Companies	\$516,000	\$505,000	2%
Library	\$415,000	\$401,000	4%

A sewer facilities consulting engineer completed a systems condition assessment for the Whitemarsh Township Waste Water Treatment Plant and Collection System for a cost of \$28,000. The recommended capital improvements and replacements total \$9 million. The Whitemarsh Township Board of Supervisors reorganized the Whitemarsh Authority in 2007. The Whitemarsh Authority will consider the consultant's recommendations and develop a timeline for implementation of the capital improvements and replacements along with a sewer fee rate study and various financing alternatives in 2009.

Contacting the Township's Financial Management

This financial report is designed to provide Whitemarsh Township's citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions concerning this report or requests for additional financial information can be directed to the Finance Department of Whitemarsh Township, 616 Germantown Pike, Lafayette Hill, PA 19444, or visit our website at "www.whitemarshtwp.org."

WHITEMARSH TOWNSHIP

Statement of Net Assets

December 31, 2008

	Primary Government			Component Unit
	Governmental	Business -	Total	William Jeanes Memorial Library
	Activities	Type Activities		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 7,430,200	\$ 1,289,175	\$ 8,719,375	\$ 767,124
Investments	2,767,259	798,550	3,565,809	276,683
Accounts Receivable		157,470	157,470	
Taxes Receivable	3,547,445		3,547,445	
Notes Receivable	51,500		51,500	
Due from Component Units	52,680		52,680	
Other Receivables	76,189		76,189	
Total Current Assets	13,925,273	2,245,195	16,170,468	1,043,807
Noncurrent Assets:				
Capital Assets:				
Land	7,685,883	856,260	8,542,143	62,979
Infrastructure (Net)	1,782,222		1,782,222	
Sewer System (Net)		5,690,043	5,690,043	
Building and Improvements (Net)	2,852,586		2,852,586	340,829
Equipment (Net)	987,469	434,926	1,422,395	20,258
Vehicles (Net)	431,496	42,221	473,717	
Total Capital Assets	13,739,656	7,023,450	20,763,106	424,066
Sewer Assessments Receivable		220,245	220,245	
Total Noncurrent Assets	13,739,656	7,243,695	20,983,351	424,066
Total Assets	\$ 27,664,929	\$ 9,488,890	\$ 37,153,819	\$ 1,467,873

(Continued)

WHITEMARSH TOWNSHIP
Statement of Net Assets (Continued)
December 31, 2008

	Primary Government			Component Unit
	Governmental	Business -	Total	William Jeanes Memorial Library
	Activities	Type Activities		
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 240,909	\$ 123,267	\$ 364,176	\$ 1,510
Compensated Absences	64,078	4,991	69,069	
Due to Primary Government			-	52,680
Deferred Revenue		478,146	478,146	
Business Tax Refunds Payable	278,525		278,525	
Other Liabilities	62,439	9,965	72,404	
Current Portion of Long Term Debt	217,500	193,677	411,177	
Total Current Liabilities	863,451	810,046	1,673,497	54,190
Non-Current Liabilities:				
Compensated Absences	526,175		526,175	
Deposits		8,000	8,000	
Long Term Debt, Net of Current Portion	1,574,000	1,144,743	2,718,743	
Total Non-Current Liabilities	2,100,175	1,152,743	3,252,918	-
Total Liabilities	2,963,626	1,962,789	4,926,415	54,190
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	13,739,656	7,023,450	20,763,106	424,066
Temporarily Restricted			-	612,599
Unrestricted	10,961,647	502,651	11,464,298	377,018
Total Net Assets	24,701,303	7,526,101	32,227,404	1,413,683
Total Liabilities and Net Assets	\$ 27,664,929	\$ 9,488,890	\$ 37,153,819	\$ 1,467,873

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			William
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total Primary Government	Jeanes Memorial Library
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 3,021,514	\$ 601,124	\$ 101,421		\$ (2,318,969)		\$ (2,318,969)	
Public Safety - Police	5,568,884	95,265	290,854		(5,182,765)		(5,182,765)	
Public Safety - Other	1,661,842	428,762	227,742		(1,005,338)		(1,005,338)	
Public Works - Sanitation	1,368,230	1,494,232	19,280		145,282		145,282	
Public Works - Highway	2,367,989	3,521	388,488		(1,975,980)		(1,975,980)	
Culture and Recreation	1,266,602	418,754	7,145	\$ 27,500	(813,203)		(813,203)	
Community Development	111,127			581	(110,546)		(110,546)	
Interest on Long Term Debt	77,405				(77,405)		(77,405)	
Total Governmental Activities	<u>15,443,593</u>	<u>3,041,658</u>	<u>1,034,930</u>	<u>28,081</u>	<u>(11,338,924)</u>		<u>(11,338,924)</u>	
BUSINESS-TYPE ACTIVITIES:								
Sewer Enterprise Fund	<u>2,285,694</u>	<u>2,303,275</u>		<u>87,285</u>		<u>\$ 104,866</u>	<u>104,866</u>	
Total Business-Type Activities	<u>2,285,694</u>	<u>2,303,275</u>	<u>-</u>	<u>87,285</u>		<u>104,866</u>	<u>104,866</u>	
Total Primary Government	<u>\$ 17,729,287</u>	<u>\$ 5,344,933</u>	<u>\$ 1,034,930</u>	<u>\$ 115,366</u>	<u>(11,338,924)</u>	<u>104,866</u>	<u>(11,234,058)</u>	
COMPONENT UNIT:								
William Jeanes Memorial Library	<u>\$ 567,176</u>	<u>\$ 14,865</u>	<u>\$ 565,071</u>	<u>\$ -</u>				<u>\$ 12,760</u>
General Revenues:								
Real Estate Taxes					3,361,088		3,361,088	
Real Estate Transfer Taxes					465,268		465,268	
Earned Income Taxes					6,508,430		6,508,430	
Other Act 511 Taxes					2,687,184		2,687,184	
Interest Earnings					349,179	47,325	396,504	37,330
(Decrease) in Fair Market Value of Investments							-	(119,123)
Sale of Fixed Assets					21,028		21,028	
Fines and Forfeits					81,708		81,708	
Special Assessments					176,024		176,024	
Transfers					75,000	(75,000)	-	
Miscellaneous Revenue					147,818	19,859	167,677	1,848
Total General Revenues and Transfers					<u>13,872,727</u>	<u>(7,816)</u>	<u>13,864,911</u>	<u>(79,945)</u>
Change in Net Assets					<u>2,533,803</u>	<u>97,050</u>	<u>2,630,853</u>	<u>(67,185)</u>
Net Assets - Beginning of Year					<u>22,167,500</u>	<u>7,429,051</u>	<u>29,596,551</u>	<u>1,480,868</u>
Net Assets - End of Year					<u>\$ 24,701,303</u>	<u>\$ 7,526,101</u>	<u>\$ 32,227,404</u>	<u>\$ 1,413,683</u>

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP

**Balance Sheet
Governmental Funds
December 31, 2008**

	<u>General</u>	<u>Capital Reserve</u>	<u>Open Space Reserve</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 3,204,148	\$ 836,357	\$ 2,233,795	\$ 1,085,377	\$ 7,359,677
Investments	2,156,374		10,776	568,291	2,735,441
Due from Component Units	52,680				52,680
Taxes Receivable	3,479,535			67,910	3,547,445
Other Receivables	76,189				76,189
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 8,968,926</u>	<u>\$ 836,357</u>	<u>\$ 2,244,571</u>	<u>\$ 1,721,578</u>	<u>\$ 13,771,432</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 135,690	\$ 72,807		\$ 28,908	\$ 237,405
Accrued Wages Payable	59,188			3,676	62,864
Interfund Payables	7,349				7,349
Business Tax Refunds Payable	278,525				278,525
Deferred Revenue	110,416			67,910	178,326
Other Liabilities	55,090				55,090
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>646,258</u>	<u>72,807</u>	<u>\$ -</u>	<u>100,494</u>	<u>819,559</u>
FUND BALANCES					
Reserved for Open Space			2,244,571		2,244,571
Unreserved:					
Designated for 2009 Budget	2,286,000				2,286,000
Designated for Highways and Streets				970,235	970,235
Designated for Future Capital Projects		763,550			763,550
Undesignated	6,036,668			650,849	6,687,517
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>8,322,668</u>	<u>763,550</u>	<u>2,244,571</u>	<u>1,621,084</u>	<u>12,951,873</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 8,968,926</u>	<u>\$ 836,357</u>	<u>\$ 2,244,571</u>	<u>\$ 1,721,578</u>	<u>\$ 13,771,432</u>

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets
December 31, 2008

Total Governmental Fund Balances		\$ 12,951,873
Amounts reported for governmental activities in the statement of net assets are different because:		
Notes Receivable are not receivable in the current period and therefore are not reported in the funds		51,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:		
Cost of assets	16,918,416	
Accumulated depreciation	3,178,760	13,739,656
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	526,175	
Long Term Debt	1,791,500	(2,317,675)
Property taxes and other amounts receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds		178,326
Internal Service Fund consolidation		97,623
Net Assets of Governmental Activities		\$ 24,701,303

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Capital Reserve	Open Space Reserve	Non- Major Funds	Total Governmental Funds
REVENUES					
Real Estate Taxes	\$ 2,976,413			\$ 365,881	\$ 3,342,294
Real Estate Transfer Taxes	465,268				465,268
Earned Income Taxes	6,508,430				6,508,430
Other Act 511 Taxes	2,687,184				2,687,184
Licenses and Permits	428,762				428,762
Fines and Forfeits	81,708				81,708
Interest Earnings	182,984	\$ 31,827	\$ 87,054	47,314	349,179
Rental Income	142,961			13,156	156,117
Intergovernmental Revenues	646,204	27,500		389,307	1,063,011
Charges for Services	540,272			1,896,112	2,436,384
Special Assessments				176,024	176,024
Miscellaneous Revenues	203,776	37,580		8,532	249,888
	<u>14,863,962</u>	<u>96,907</u>	<u>87,054</u>	<u>2,896,326</u>	<u>17,944,249</u>
EXPENDITURES					
General Government	2,780,613	50,076		16,808	2,847,497
Public Safety - Police	5,582,095	88			5,582,183
Public Safety - Other	1,623,826			91,005	1,714,831
Public Works - Sanitation	1,697,857				1,697,857
Public Works - Highway and Streets	2,245,404	445,948		49,321	2,740,673
Culture and Recreation	420,593	903,762		966,871	2,291,226
Community Development	79,892		2,147,383	-	2,227,275
Miscellaneous Expenditures	353,704				353,704
Debt Service - Principal	51,500		160,000	-	211,500
Debt Service - Interest	3,615		73,790	-	77,405
	<u>14,839,099</u>	<u>1,399,874</u>	<u>2,381,173</u>	<u>1,124,005</u>	<u>19,744,151</u>
Excess of Revenues Over (Under) Expenditures	<u>24,863</u>	<u>(1,302,967)</u>	<u>(2,294,119)</u>	<u>1,772,321</u>	<u>(1,799,902)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Fixed Assets	35,601				35,601
Transfers In	2,335,000	100,000	1,603,316	265,500	4,303,816
Transfers Out	(1,958,816)			(2,270,000)	(4,228,816)
	<u>411,785</u>	<u>100,000</u>	<u>1,603,316</u>	<u>(2,004,500)</u>	<u>110,601</u>
Net Change in Fund Balances	436,648	(1,202,967)	(690,803)	(232,179)	(1,689,301)
Fund Balances - Beginning of Year	<u>7,886,020</u>	<u>1,966,517</u>	<u>2,935,374</u>	<u>1,853,263</u>	<u>14,641,174</u>
Fund Balances - End of Year	<u>\$ 8,322,668</u>	<u>\$ 763,550</u>	<u>\$ 2,244,571</u>	<u>\$ 1,621,084</u>	<u>\$ 12,951,873</u>

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2008

Net Change in Fund Balances - Governmental Funds \$ (1,689,301)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from outlays in the period:

Depreciation Expense	(426,420)	
Capital Outlays	<u>4,295,147</u>	3,868,727

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Gain on Sale of Capital Assets	21,028	
Proceeds from Sale of Fixed Assets	<u>(35,601)</u>	(14,573)

Principal payments on Long Term Debt are reported as expenditures in the governmental funds but are not considered expenses in the statement of activities. 211,500

Internal Service Funds are reported as proprietary funds in the fund statements but are consolidated in the entity wide statements. 790

Principal payments on Notes Receivable are reported as revenues in the governmental funds but are not considered revenues in the statement of activities. (51,500)

In the statement of activities, compensated absences are measured by the amount earned during the year. In the governmental funds, expenditures are measured by the amounts actually paid. 168,971

Governmental funds report revenues related to prior periods as current financial resources. However, in the statement of activities, these amounts are not included as current year revenue. In addition, revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 39,189

Change in Net Assets of Governmental Activities \$ 2,533,803

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Net Assets
Proprietary Funds
December 31, 2008

	Sewer Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,289,175	\$ 70,523
Investments	798,550	31,818
Accounts Receivable	157,470	
Total Current Assets	2,245,195	102,341
Noncurrent Assets:		
Capital Assets:		
Land	856,260	
Sewer System (Net)	5,690,043	
Equipment (Net)	434,926	41,664
Vehicles (Net)	42,221	
Total Capital Assets	7,023,450	41,664
Sewer Assessments Receivable	220,245	
Total Noncurrent Assets	7,243,695	41,664
Total Assets	\$ 9,488,890	\$ 144,005
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 123,267	\$ 3,504
Compensated Absences	4,991	1,214
Accrued Interest Payable	9,965	
Deferred Revenue	478,146	
Current Portion of Long Term Debt	193,677	
Total Current Liabilities	810,046	4,718
Non-Current Liabilities:		
Deposits	8,000	
Long Term Debt, Net of Current Portion	1,144,743	
Total Non-Current Liabilities	1,152,743	-
Total Liabilities	1,962,789	4,718
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	7,023,450	41,664
Unrestricted	502,651	97,623
Total Net Assets	7,526,101	139,287
Total Liabilities and Net Assets	\$ 9,488,890	\$ 144,005

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Combined Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
For the Year Ended December 31, 2008

	Sewer Enterprise Fund	Internal Service Funds
OPERATING REVENUES:		
Charges for Services	\$ 2,303,275	\$ 328,636
Total Operating Revenues	2,303,275	328,636
OPERATING EXPENSES:		
Administration	493,004	
Disposal	633,448	
Water Treatment	905,112	
Depreciation Expense	202,174	8,082
Salaries		168,943
Materials and Supplies		21,050
Business Expense		4,701
Utilities		6,127
Repair Parts		88,666
Repairs and Maintenance		35,477
Replacement Machinery and Equipment		5,253
Total Operating Expenses	2,233,738	338,299
Operating Income (Loss)	69,537	(9,663)
NONOPERATING REVENUES (EXPENSES):		
Miscellaneous Revenues	19,859	
Interest Earnings	47,325	2,371
Interest Expense	(51,956)	
Total Nonoperating Revenues (Expenses)	15,228	2,371
Income (Loss) before Contributions and Transfers	84,765	(7,292)
Capital Contributions	87,285	-
Transfer Out	(75,000)	
Change in Net Assets	97,050	(7,292)
NET ASSETS - JANUARY 1, 2008	7,429,051	146,579
NET ASSETS - DECEMBER 31, 2008	\$ 7,526,101	\$ 139,287

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2008

	Sewer Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 2,340,182	\$ 328,636
Payments to Suppliers	(1,399,728)	(159,492)
Payments to Employees	(602,904)	(168,943)
	<u>337,550</u>	<u>201</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Sewer System Construction Costs Paid	(200,224)	
Purchase of Equipment	(140,353)	
Redemption of Bonds	(185,716)	
Contributed Capital	87,285	
	<u>(439,008)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net Transfers (Out)	(75,000)	
Other Receipts	19,859	
	<u>(55,141)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	47,325	2,371
(Purchase) Sale of Investments	221,880	(705)
Interest Expense	(51,956)	
	<u>217,249</u>	<u>1,666</u>
Net Cash and Cash Equivalents Provided by Investing Activities	<u>217,249</u>	<u>1,666</u>
Net Increase in Cash and Cash Equivalents	60,650	1,867
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,228,525</u>	<u>68,656</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,289,175</u>	<u>\$ 70,523</u>

(Continued)

WHITEMARSH TOWNSHIP
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended December 31, 2008

	Sewer Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss) from Operations	\$ 69,537	\$ (9,663)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	202,174	8,082
(Increase) Decrease in:		
Accounts Receivable	(39,466)	
Sewer Assessments Receivable	74,911	
Increase (Decrease) in:		
Accounts Payable	29,777	1,852
Accrued Liability for Compensated Absences	(845)	(70)
Deferred Revenue	1,462	
	1,462	
Net Cash and Cash Equivalents Provided by Operating Activities	\$ 337,550	\$ 201

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Net Assets - Fiduciary Funds
December 31, 2008

	<u>Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,059,704	\$ 795,463
Investments	12,458,599	10,908
Interfund Receivable	7,349	
Accrued Interest	27,598	
	<hr/>	<hr/>
Total Assets	<u>\$ 15,553,250</u>	<u>\$ 806,371</u>
LIABILITIES		
Escrowed Subdivision Fees		\$ 543,680
Due to Taxpayers/Governments		262,691
	<hr/>	<hr/>
Total Liabilities	-	<u>\$ 806,371</u>
NET ASSETS		
Held in Trust for Pension Benefits	<u>\$ 15,553,250</u>	
Total Net Assets	<u>15,553,250</u>	
Total Liabilities and Net Assets	<u>\$ 15,553,250</u>	

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Changes in Net Assets - Fiduciary Funds
For the Year Ended December 31, 2008

	<u>Trust Funds</u>
ADDITIONS	
Contributions:	
Municipal Contribution	\$ 492,810
Employee Contribution	443,022
Other Contributions	<u>18,745</u>
Total Contributions	<u>954,577</u>
Investment Earnings:	
Net (Decrease) in Fair Value of Investments	(4,936,754)
Interest and Dividends	<u>605,286</u>
Total Investment Earnings	<u>(4,331,468)</u>
Total Additions	<u>(3,376,891)</u>
DEDUCTIONS	
Benefits Paid	1,029,216
Administrative Expenses	<u>75,588</u>
Total Deductions	<u>1,104,804</u>
Change in Net Assets	<u>(4,481,695)</u>
Net Assets - Beginning of Year:	
As Previously Stated	18,138,786
Prior Period Adjustment (See Note 13)	<u>1,896,159</u>
As Restated	<u>20,034,945</u>
Net Assets - End of Year	<u><u>\$ 15,553,250</u></u>

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP, PENNSYLVANIA
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Whitemarsh Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. The Financial Reporting Entity:

Whitemarsh Township is a municipality governed by an elected five-member board. The Township's financial reporting entity is comprised of Whitemarsh Township (the primary government) and its discretely presented and blended component units.

In determining the financial reporting entity, the Township complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the Township appointed a voting majority of the units' board; the Township is either able to impose its will on the unit or a financial benefit or burden relationship exists.

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the Township Board of Supervisors or the component unit provides services entirely to the Township. A discretely presented component unit is a separate legal entity that meets the component unit criteria described above but does not meet the criteria for blending.

Whitemarsh Township Authority (the "Authority") qualifies as a component unit of the Township. The financial statements of the Authority for the year ended December 31, 2008 are included in the financial statements of the Township by blending those financial statements with the financial statements of the Sewer Enterprise Fund.

The William Jeanes Memorial Library is a separate nonprofit entity, which operates independently of the Township but services the same geographic area. The Township makes significant contributions to the Library to finance its operations and has set aside a portion of its annual real estate tax collections for this purpose. The William Jeanes Memorial Library Board is elected by its members. These financial statements present a summarized financial statement for the Library. A complete financial statement of the William Jeanes Memorial Library can be obtained from their administrative offices.

B. Basis of Presentation:

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole, including the discretely presented component unit. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Township has a Sewer Enterprise Fund that acts as a business-type activity. These statements exclude fiduciary activities.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements.

The government-wide statement of activities presents a comparison between expenses and program revenues for each functional area. Expenses are those that are specifically associated with and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each functional area is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers, which are eliminated to avoid “doubling up” revenues and expenses.

Net assets are reported as restricted when constraints placed on net asset use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are represented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within sixty days after year-end.

The Township considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for earned income tax revenue. Revenues for state- and federally-funded projects are recognized at the time the expenditures are made. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The Township reports the following major governmental funds:

- The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.
- The Capital Reserve Fund was established to accumulate resources for future equipment and facilities maintenance expenditures.
- The Open Space Reserve Fund was established to accumulate resources to protect and preserve undeveloped land and create a comprehensive network of trails and greenways within the Township.

Proprietary Funds

The Sewer Enterprise Fund is used to account for the operation and maintenance of the Township sewage collection system and treatment plant.

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments. The Garage Maintenance Fund is used to account for the maintenance of Township vehicles, which is reimbursed by various funds. A self-insurance fund is also included as an internal service fund and is used to accumulate reserves to pay for unemployment claims directly to the state employment insurance fund as opposed to paying an assessment based on annual payroll and claim experience.

Proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, or others. The Township has three private-purpose trust funds which account for all pension activity. In addition, the Township has one private-purpose trust fund that accounts for Township employees' salary deferrals, the funds of which are not available to the employees until termination, death, retirement, or an unexpected emergency. These trust funds are accounted for in essentially the same manner as proprietary funds since the measurement of the periodic net income and the determination of capital maintenance are critical.

The Township has two agency funds. The Escrow Fund accounts for moneys paid by developers to be used for land subdivision costs. The Real Estate Tax Collector Fund accounts for collections and remittances of real estate taxes to Montgomery County and Whitemarsh Township. The agency fund is unlike all other types of funds, reporting only assets and liabilities. Therefore, this fund cannot be said to have a measurement focus. It does, however, use the accrual basis of accounting to recognize receivables and payables.

C. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Budgets:

Annual appropriated budgets are adopted for the general and special revenue funds on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

E. Cash and Investments:

Cash includes amounts in demand deposits. State statutes authorize the Township to invest in certificates of deposit, obligations of the U.S. Treasury, and repurchase agreements. Investments are stated at market value.

F. Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements and are recorded at cost (if known) or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital acquisition and construction are reflected as expenditures in the fund financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment (net of salvage value) of governmental activities is depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	45 Years
Equipment	5 – 20 Years
Vehicles	5 Years
Infrastructure	30 Years

Property, plant, and equipment (net of salvage value) of business-type activities is depreciated using the straight-line method over the following estimated useful lives:

Sewer System	45 Years
Equipment	10 – 15 Years
Vehicles	5 Years

The component unit's assets are depreciated over the following estimated useful lives:

Buildings and Improvements	10 – 45 Years
Equipment	5 – 20 Years

G. Property Taxes

The tax on real estate in Whitmarsh Township for 2008 was 2.0379 mills (\$2.0379 per \$1,000 of assessed valuation) as levied by the Board of Supervisors. Assessed valuations of property are determined by Montgomery County. Taxes are billed March 1 and payable under the

following terms: a 2% discount March 1 through April 30; full amount May 1 through June 30; and a 10% penalty after July 1. Unpaid real estate property taxes are returned to the County in January of the following year for the purpose of filing a lien and collecting the delinquent taxes.

H. Compensated Absences

The Township's policy concerning vacation pay is that up to five days may be carried forward into the following year.

Regarding sick days, the Township allows administrative employees to accrue up to 10 days per year, and accumulate up to 80 days to be used in calculating his/her retirement; public works employees may accrue up to 12 days per year, and accumulate up to 80 days to be used toward retirement. The Township allows police officers to accumulate sick days up to 120 days to be used by the officer in calculating his/her retirement date.

I. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and the payment of principal and interest is reported as expenditures. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures.

J. Defining Operating Revenues and Expenses

The Township's Sewer Enterprise Fund (a proprietary fund) distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

2. LEGAL COMPLIANCE - BUDGETS:

An annual budget is prepared for each governmental fund. The preliminary and final budgets are presented to the Board of Supervisors each year on November 1 and December 31, respectively.

3. DEPOSITS AND INVESTMENTS:

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township's deposit policy for custodial credit risk is to have uninsured deposits collateralized, pursuant to Pennsylvania Act 72 of 1971, as amended.

As of December 31, 2008, the bank balances and the carrying amounts of deposits of the primary government and its blended component unit in these financial statements are as follows:

	Carrying Amount	Bank Balance		
		Total	Covered by FDIC	Secured
Checking and Savings Accounts	\$ 5,592,687	\$ 6,290,577	\$ 361,984	\$ 5,928,593
Pennsylvania Local Government Investment Trust	3,922,151	3,921,968		3,921,968
Trust Funds	3,059,704	3,059,704		3,059,704
Total	<u>\$ 12,574,542</u>	<u>\$ 13,272,249</u>	<u>\$ 361,984</u>	<u>\$ 12,910,265</u>

Bank deposits not covered by federal depository insurance (“FDIC”) are uninsured but secured by U.S. Government-backed investments or secured on a pooled basis. The PLGIT portfolios may contain a combination of obligations of the U.S. government or its agencies, obligations of the Commonwealth of Pennsylvania or its agencies, Federal securities subject to repurchase obligations (collateralized by U.S. Treasury or Federal Agency or instrumentality obligations held by the Trust’s Custodian), FDIC insured certificates of deposit (CDs), CDs secured by U.S. Government-backed investments or secured on a pooled basis, or shares of Registered Money Market Funds which invest solely in the securities described above and which are rated in the highest capacity by a nationally recognized rating agency.

The carrying amount and bank balance of the discretely presented component unit’s deposits is \$767,124. These deposits consist of \$27,147 held in a commercial bank, which are fully insured by the FDIC. The remaining deposits, held in mutual funds that are exposed to custodial credit risk, were \$739,977.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township’s investment policy for custodial credit risk is to invest in securities backed by the full faith and credit of the United States government, by the Federal Deposit Insurance Corporation, by the Federal Savings and Loan Insurance Corporation, or by the pledges of assets of the type and valuation as provided by law. Temporary investments may also be made in bank certificates of deposit supported by fully pledged collateral and repurchase agreements for the United States government or other allowable securities.

Interest Rate Risk – Investments

In order to manage cash flow and manage its exposure to fair value losses arising from increasing interest rates, the Township’s policy is to invest primarily in investments with maturities of one year or less.

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Township's investments are categorized as either (1) insured or registered with the securities held by the Township or its agent in the Township's name, (2) uninsured and unregistered

for which the securities are held by the broker's or dealer's trust department or agent in the Township's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name. The primary government and the discretely presented component unit's investments are summarized below:

<u>Primary Government:</u>	Categories			Carrying Amount	Market Value
	1	2	3		
Governmental Activities:					
Pennsylvania INVEST Program for Local Governments	\$ 2,767,259			\$ 2,767,259	\$ 2,767,259
Business-Type Activities:					
Pennsylvania INVEST Program for Local Governments	798,550			798,550	798,550
Fiduciary Funds:					
U.S. Government Obligations				-	-
Pennsylvania INVEST Program for Local Governments			\$ 10,908	10,908	10,908
Other Municipal Obligations			49,076	49,076	49,076
Mutual Funds			11,286,022	11,286,022	11,286,022
Corporate Bonds			23,940	23,940	23,940
Corporate Stocks			1,099,561	1,099,561	1,099,561
Total Primary Government	\$ 3,565,809	\$ -	\$ 12,469,507	\$ 16,035,316	\$ 16,035,316
William Jeanes Memorial Library:					
Mutual Funds		\$ 276,683		\$ 276,683	\$ 276,683
Total William Jeanes Memorial Library	\$ -	\$ 276,683	\$ -	\$ 276,683	\$ 276,683

The following mutual fund holdings represent individual investments of the Police Pension Fund that represent 5% or more of total investments of fiduciary funds:

	Carrying Amount and Market Value
Pimco Funds Total Return Bond Fund	\$1,469,875
Vanguard Short Term Bond Index	1,402,739
Western Asset Intermediate Bond Fund	1,389,908
Blackrock Funds - Large Cap Value Institutional Class Fund	1,132,589
Artio International Equity Fund II	806,365
Dodge & Cox International Stock Fund	761,132
Royce Fund	649,032
T Rowe Price Real Estate Fund	468,626
Total	\$8,080,266

4. TAXES RECEIVABLE:

Taxes receivable on the Statement of Net Assets and the Balance Sheet – Governmental Funds at December 31, 2008, consist of the following:

Earned Income Taxes	\$3,090,000
Mercantile and Business Privilege Taxes	263,000
Real Estate Taxes	158,590
Real Estate Transfer Tax	<u>35,855</u>
Total	<u><u>\$3,547,445</u></u>

5. DEFERRED REVENUE:

Deferred revenue on the Balance Sheet – Governmental Funds represents delinquent real estate taxes lienied by the Township. Deferred revenue on the Statement of Net Assets – Business-Type Activities and on the Statement of Net Assets – Proprietary Fund Types represents sewer charges related to periods of service after December 31, 2008 that were billed during 2008.

6. CAPITAL ASSETS:

Township:

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance - <u>1/1/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance - <u>12/31/08</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 5,569,735	\$ 2,116,148		\$ 7,685,883
Total Capital Assets Not Being Depreciated	<u>5,569,735</u>	<u>2,116,148</u>	<u>\$ -</u>	<u>7,685,883</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	2,750,066	1,049,632		3,799,698
Furniture and Equipment	1,096,031	575,654		1,671,685
Vehicles	1,665,600	239,115	(93,857)	1,810,858
Infrastructure	<u>1,635,694</u>	<u>314,598</u>		<u>1,950,292</u>
Totals at Estimated Historical Cost	<u>7,147,391</u>	<u>2,178,999</u>	<u>(93,857)</u>	<u>9,232,533</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(877,400)	(69,712)		(947,112)
Furniture and Equipment	(556,778)	(127,438)		(684,216)
Vehicles	(1,287,366)	(171,280)	79,284	(1,379,362)
Infrastructure	<u>(110,080)</u>	<u>(57,990)</u>		<u>(168,070)</u>
Total Accumulated Depreciation	<u>(2,831,624)</u>	<u>(426,420)</u>	<u>79,284</u>	<u>(3,178,760)</u>
Capital Assets Being Depreciated, Net	<u>4,315,767</u>	<u>1,752,579</u>	<u>(14,573)</u>	<u>6,053,773</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 9,885,502</u></u>	<u><u>\$ 3,868,727</u></u>	<u><u>\$ (14,573)</u></u>	<u><u>\$ 13,739,656</u></u>

	Balance - <u>1/1/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance - <u>12/31/08</u>
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 856,260			\$ 856,260
Total Capital Assets Not Being Depreciated	<u>856,260</u>	<u>-</u>	<u>-</u>	<u>856,260</u>
Capital Assets Being Depreciated:				
Sewer System	13,014,305	\$ 200,224		13,214,529
Machinery and Equipment	463,312	140,353		603,665
Vehicles	138,020			138,020
Totals at Estimated Historical Cost	<u>13,615,637</u>	<u>340,577</u>	<u>-</u>	<u>13,956,214</u>
Less Accumulated Depreciation:				
Sewer System	(7,375,350)	(149,136)		(7,524,486)
Machinery and Equipment	(133,587)	(35,152)		(168,739)
Vehicles	(77,913)	(17,886)		(95,799)
Total Accumulated Depreciation	<u>(7,586,850)</u>	<u>(202,174)</u>	<u>-</u>	<u>(7,789,024)</u>
Capital Assets Being Depreciated, Net	<u>6,028,787</u>	<u>138,403</u>	<u>-</u>	<u>6,167,190</u>
Business-type Activities Capital Assets, Net	<u>\$ 6,885,047</u>	<u>\$ 138,403</u>	<u>\$ -</u>	<u>\$ 7,023,450</u>

Depreciation expense was charged to functions of the Township as follows:

<u>Governmental Activities:</u>	
General Government	\$ 65,328
Public Safety - Police	127,690
Public Safety - Other	7,076
Public Works - Sanitation	20,089
Public Works - Highway	172,456
Culture and Recreation	<u>33,781</u>
Total	<u>\$426,420</u>
 <u>Business-Type Activities:</u>	
Sewer Enterprise Fund	<u>\$202,174</u>

Component Units

Capital Assets presented in the component unit financial statements are as follows:

	Balance - <u>1/1/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance - <u>12/31/08</u>
<u>William Jeanes Memorial Library:</u>				
Capital Assets Not Being Depreciated:				
Land Improvements	\$ 62,979			\$ 62,979
Capital Assets Being Depreciated:				
Buildings and Improvements	735,440	\$ 14,207		749,647
Equipment	89,065	15,444		104,509
Totals at Estimated Historical Cost	824,505	29,651	-	854,156
Less Accumulated Depreciation:				
Buildings and Improvements	(390,433)	(18,385)		(408,818)
Equipment	(81,251)	(3,000)		(84,251)
Total Accumulated Depreciation	(471,684)	(21,385)	-	(493,069)
Capital Assets Being Depreciated, Net	352,821	8,266	-	361,087
Totals	\$ 415,800	\$ 8,266	\$ -	\$ 424,066

7. GENERAL LONG-TERM DEBT:

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities, as follows:

Governmental Activities:

Note Payable to Delaware Valley Regional Finance Authority. The note bears interest at rates ranging from 3.805% to 3.945%.

Interest is payable monthly; principal is payable annually on November 25. The proceeds of this note were used for the acquisition of a portion of the Erdenheim Farm property, known as the Angus Farm, for open space. Final maturity is in 2017.

\$ 1,740,000

4.0% Note payable to Firsttrust Bank, payable semi-annually on April 4 and October 4. The proceeds of the note were loaned to Barren Hill Volunteer Fire Company for the acquisition of a fire apparatus. Final maturity is in 2009.

51,500

Total Notes Payable - Governmental Activities

1,791,500

Less: Current Portion

217,500

Long-Term Portion

\$ 1,574,000

Business-Type Activities:

Note payable to the Delaware Valley Regional Finance Authority. The note has both a fixed rate component and a variable rate component. The fixed rate portion bears interest at rates ranging from 2.91% to 2.937%.

Interest is payable monthly; principal is payable annually on July 25. The proceeds of this note were used for the West Mill Road Sanitary Sewer Extension Project.

This note is to be repaid from assessments levied against the residents of the West Mill Road area. Final maturity is in 2013. \$ 384,000

3.64% Note payable to Citizens Bank, payable quarterly on January 1, April 1, July 1, and October 1. The proceeds of the note were used for the Toland Drive Sanitary Sewer Extension Project. This note is to be repaid from assessments levied against the residents of Toland Drive. 954,420

Total Notes Payable - Business-Type Activities 1,338,420

Less: Current Portion 193,677

Long-Term Portion \$ 1,144,743

Changes in General Long-Term Debt

The following summarizes the changes in general long-term debt for the governmental and business-type activities for the year ended December 31, 2008:

	Beginning Balance	Additions	Repayments	Ending Balance	Amount Due Within One Year
Governmental Activities:					
Notes Payable	\$ 2,003,000		\$ 211,500	\$ 1,791,500	\$ 217,500
Compensated Absences	<u>695,147</u>		<u>104,894</u>	<u>590,253</u>	<u>64,078</u>
Total Debt - Governmental Activities	<u>\$ 2,698,147</u>	<u>\$ -</u>	<u>\$ 316,394</u>	<u>\$ 2,381,753</u>	<u>\$ 281,578</u>
Business-Type Activities:					
Notes Payable	\$ 1,524,136		\$ 185,716	\$ 1,338,420	\$ 193,677
Compensated Absences	<u>7,120</u>	<u>-</u>	<u>2,129</u>	<u>4,991</u>	<u>4,991</u>
Total Debt - Business-Type Activities	<u>\$ 1,531,256</u>	<u>\$ -</u>	<u>\$ 187,845</u>	<u>\$ 1,343,411</u>	<u>\$ 198,668</u>

Debt Maturities

Maturities of debt on the above loans are as follows:

Governmental Activities:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 217,500	\$ 69,520	\$ 287,020
2010	172,000	61,129	233,129
2011	178,000	54,449	232,449
2012	184,000	47,536	231,536
2013	193,000	40,390	233,390
2014 - 2017	<u>847,000</u>	<u>83,809</u>	<u>930,809</u>
Total Due in Future Years	<u>\$1,791,500</u>	<u>\$356,833</u>	<u>\$2,148,333</u>

Business-Type Activities:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 193,677	\$ 40,748	\$ 234,425
2010	201,204	34,154	235,358
2011	208,898	27,083	235,981
2012	216,765	20,386	237,151
2013	223,811	14,385	238,196
2014	<u>294,065</u>	<u>11,909</u>	<u>305,974</u>
Total Due in Future Years	<u>\$1,338,420</u>	<u>\$148,665</u>	<u>\$1,487,085</u>

8. CONTINGENT LIABILITIES:

The Township was the defendant in a lawsuit arising from the Township's denial of the plaintiff's Revised Preliminary Land Development application on March 21, 2002. In July 2008 the county court ruled against the Township and mandated the matter back to the Township for a continuation of the approval process of the Preliminary Land Development application. The Township appealed the court's decision; however, the Commonwealth Court of Pennsylvania affirmed the lower court's decision in an Opinion filed on May 21, 2009. In addition, an action was commenced by the plaintiff in the Federal District Court in 2002, alleging, among other things, a violation of the plaintiff's civil rights. Discovery has revealed a possible damage claim in excess of \$12,500,000. The Federal District Court issued summary judgment in favor of the Township, which has been appealed by the plaintiff. Currently, the appeal is pending.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Township expects such amounts, if any, to be immaterial.

9. INTERFUND TRANSFERS

During 2008, the Township executed the following interfund transfers:

<u>Transferred From</u>	<u>Transferred To</u>	<u>Purpose</u>	<u>Amount</u>
Liquid Fuels Fund	General Fund	Road maintenance and repairs	\$ 810,000
Refuse Fee Fund	General Fund	Collection and disposal	1,460,000
Sewer Fund	General Fund	Administrative expenses	65,000
General Fund	Capital Reserve Fund	Capital projects	100,000
General Fund	Open Space Reserve Fund	Open space earned income tax collected	1,603,316
General Fund	Park and Recreation Fund	Operational costs	239,000
General Fund	Light and Hydrant Fund	Emergency road lighting equipment	16,500
Sewer Fund	Capital Equipment Reserve	Future vehicle	10,000

10. POLICE PENSION FUND:

Plan description and provisions

All of the Township’s full-time police employees participate in a single-employer defined benefit pension plan, as established by Ordinance No. 248 on June 25, 1970, most recently amended by Ordinance No. 836 dated July 12, 2007.

As of January 1, 2009, pension plan membership consisted of the following participants:

Active Employees	36
Retirees and Beneficiaries Currently Receiving Benefits	23
Vested Terminated Members	<u>2</u>
Total	<u><u>61</u></u>

The pension plan provides retirement benefits as well as death and disability benefits. All benefits vest at 10 years of credited service for employees hired before January 28, 2001. Otherwise, vesting occurs after 12 years of service. Employees who retire at or after age 50 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 55% of their final 36 months average compensation. Employees hired after January 28, 2001 receive 50% of their final average compensation. This benefit is increased \$20 per month per year of service in excess of 25 years, subject to a maximum benefit of \$100 per month. Final average salary is the employee’s average base salary over the last 36 months of credited service. A reduced benefit is available for participants who retire with 20 or more years of service.

Members can be required to contribute 5% of base pay to the Act 600 Plan, which can be waived depending on actuarial study of the Plan. Currently, police employees are not required to

contribute to the plan. If an employee leaves covered employment and is ineligible to receive a benefit after having made contributions to the pension plan, the employee or designated beneficiary will be eligible to receive accumulated employee contributions plus related investment earnings. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Plan after the application of state and employee contributions. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Death Benefits

A lifetime survivor's benefit must be provided to the surviving spouse (or if no spouse survives or if he or she subsequently dies, the child or children under 18 years of age or if attending college, under or attaining the age of 23) equal to 100% of the pension the member was receiving or would have been entitled to receive had he or she been retired at the time of death. Pensions for the families of members killed in service shall be calculated at 100% of the member's salary at the time of death. The Plan provides an insured killed-in-service benefit in accordance with Act 30.

Life Insurance (Supplemental Plan) – Life insurance of \$12,000 is provided. This insurance is paid up at the officer's retirement date.

Post-retirement Medical Benefits

Each retiree and, as of the date of retirement, his/her spouse and dependent children may receive post-retirement medical benefits in the form of a full payment of medical premiums. In the event that the retiree predeceases his/her spouse, the postretirement medical benefit will continue for the surviving spouse. The benefit terminates if the spouse remarries. Post-retirement medical benefits will be continued for the dependent children of a retiree until attainment of the age of 18 or, if a full-time student in a fully accredited school, college or university, until attainment of the age of 23. Retirees electing early retirement benefits, their spouses and dependent children shall not be eligible for this benefit until they meet the age and service requirement.

Cost of Living Increases

A review of cost of living for retirees is made every year during the term of the current contract, and the Township may grant a cost of living increase to current retirees equal to the percentage increase in the U.S. Consumer Price Index for Wage Earnings and Clerical Workers for the Philadelphia Area as determined by this cost of living review. In no case may the total pension benefit exceed 75% of the retiree's final average salary, nor may the total cost of living increase exceed 30% of the retiree's final average salary.

Contributions and Funding Policy

Act 205 requires that annual contributions be based upon the minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. An employee contributed \$12,064 to the Police Pension Fund during 2008. The State provides an allocation of funds that must be used for pension funding. Any financial requirement established by the MMO which exceeds the State and employee contributions must be funded by the employer in accordance with Act 205.

The Township's annual pension cost and related information for the plan is as follows:

Actuarial Valuation Date	1/1/09
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	13 Years
Asset Valuation Method	Five Year Averaging
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increase	5.00%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/1999	\$ 12,050,252	\$ 7,772,860	\$ (4,277,392)	155%	\$ 1,577,240	-271%
1/1/2001	14,073,703	8,860,977	(5,212,726)	159%	1,682,619	-310%
1/1/2003	12,409,004	10,006,850	(2,402,154)	124%	2,057,287	-117%
1/1/2005	12,599,429	11,514,134	(1,085,295)	109%	2,263,605	-48%
1/1/2007	13,456,530	12,540,251	(916,279)	107%	2,224,194	-41%
1/1/2009	12,070,364	15,754,877	3,684,513	77%	2,766,334	133%

Schedule of Contributions

Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2004	130,647	153,940	118%
2005	105,505	165,338	157%
2006	153,137	220,063	144%
2007	272,409	272,409	100%
2008	290,854	290,854	100%

Supplemental Fund

On July 12, 2007, the Board adopted Ordinance No. 835, amending the Supplemental Police Pension Fund. The Ordinance provides that the Supplemental Police Pension Fund shall be supported exclusively by voluntary contributions, from whatever source. Any active duty member of the police force who had made voluntary contributions prior to May 1, 2007 and who had made a written request for such refund prior to June 30, 2007, was entitled to a refund of all such voluntary contributions, plus simple interest earned on such contributions calculated at the rate of 5-1/2% per annum. During 2007, the Township refunded from its general fund all contributions of current officers, plus 5-1/2% interest on such contributions.

Donations to the supplemental plan totaled \$5,300 during the year ended December 31, 2008.

Method Used to Value Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investments of the Police Pension Fund are represented by specific identifiable investment securities classified as to credit risk by the three categories described below:

Category 1 – Insured or registered, or securities held by the Pension Fund or its agent in the Pension Fund’s name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the Pension Fund’s name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Pension Fund’s name.

The investments of the Police Pension Fund and the Police Supplemental Pension Fund are summarized as follows:

	<u>Market Value</u>	<u>Category</u>
<i>Police Pension Fund:</i>		
Mutual Funds	\$ 8,423,979	3
Common Stock	1,047,440	3
Total Investments	<u>\$ 9,471,419</u>	
<i>Police Supplemental Pension Fund:</i>		
Other Municipal Obligations	\$ 49,077	3
Corporate Bonds	23,940	3
Common Stock	52,121	3
Total Investments	<u>\$ 125,138</u>	

11. NON-UNIFORMED PENSION FUND:

Plan Description and Provisions

The Whitmarsh Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan controlled by the provisions of Ordinance No. 475, adopted August 11, 1983, amended by Ordinance No. 543 and No. 578.

Eligibility Requirements

The eligibility requirements and benefit provisions of Whitmarsh Township Non-Uniformed Pension Plan are as follows:

Eligibility – All full-time employees hired on or after July 1, 1989 are required to become members of the Plan.

Normal Retirement – First day of the month coincident with or next following the employee’s 65th birthday.

Retirement Benefit – Total value of the member’s employee contribution account and the member’s Township contribution account, including all member contributions, Township contributions and investment earnings.

Vesting – A member is 50 percent vested after 3 years of service and 100 percent vested after 5 years of service with the Township.

Form of Payment – Benefits will be paid in a single lump sum payment unless the member elects to receive monthly payments. If monthly payments are elected, the member shall elect any monthly dollar amount in excess of one percent of the member’s account balance. This amount may be changed no more than once per year.

Death and Disability Benefits – If a member becomes eligible for long-term disability benefits under the Township’s health and welfare plan or dies, the member’s account balance shall become 100 percent vested and shall be payable in the same manner as for normal retirement. Death benefits shall be paid only in single lump sum payments.

Contribution – Members are required to contribute to the plan three percent of annual salary. Township contributions match the members’ contributions at three percent.

Members may elect to contribute an additional one to three percent, which will be matched by the Township to a maximum of 6%. Members may make additional contributions over 6% to a maximum of 15% which will not be matched by the Township. All contributions up to 6% are made pre-tax; employee contributions in excess of 6% are made post-tax.

Contributions

Contributions to the Non-Uniformed Pension Plan included \$201,956 from the Township and \$179,391 from employees.

Method Used to Value Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investments of the Non-Uniformed Pension Fund are represented by specific identifiable investment securities classified as to credit risk by the three categories described below:

Category 1 – Insured or registered, or securities held by the Pension Fund or its agent in the Pension Fund’s name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the Pension Fund’s name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Pension Fund’s name.

The investments of the Non-Uniformed Pension Fund consist of mutual funds, representing “category 3” investments.

12. BUILDING LEASE:

The Township leases a 3,500 square foot section of a building in Lafayette Hill, Pennsylvania to Sovereign Bank. The term of the lease was for five years commencing on March 1, 2000, and was subsequently renewed for an additional five years commencing on March 1, 2005.

The minimum annual rent for the renewal five-year term is \$120,417. This amount also represents the minimum annual rent to be received under this lease in each remaining year of the lease. Total rent received under this lease for the fiscal year ended December 31, 2008 was \$142,961, including common area maintenance charges and real estate taxes.

13. PRIOR PERIOD ADJUSTMENT

The beginning-of-year net asset balance for the trust funds has been adjusted to include the net assets of the Deferred Compensation Fund, which totaled \$1,896,159 as of January 1, 2008.

WHITEMARSH TOWNSHIP
Budgetary Comparison Schedule - General Fund
Required Supplementary Information
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
REVENUES				
Real Estate Taxes	\$ 2,911,686	\$ 2,911,686	\$ 2,976,413	\$ 64,727
Real Estate Transfer Taxes	400,000	400,000	465,268	65,268
Earned Income Taxes	5,000,000	5,000,000	6,508,430	1,508,430
Other Act 511 Taxes	2,301,000	2,301,000	2,687,184	386,184
Licenses and Permits	160,200	160,200	428,762	268,562
Fines and Forfeits	65,000	65,000	81,708	16,708
Interest Earnings	200,000	200,000	182,984	(17,016)
Rental Income	142,000	142,000	142,961	961
Intergovernmental Revenues	601,500	601,500	646,204	44,704
Charges for Services	328,000	328,000	540,272	212,272
Miscellaneous Revenues	122,500	122,500	203,776	81,276
Total Revenues	12,231,886	12,231,886	14,863,962	2,632,076
EXPENDITURES				
General Government	2,870,745	3,019,745	2,780,613	239,132
Public Safety - Police	5,598,957	5,672,957	5,582,095	90,862
Public Safety - Other	1,815,284	1,860,284	1,623,826	236,458
Public Works - Sanitation	1,813,388	1,887,388	1,697,857	189,531
Public Works - Highway and Streets	2,554,550	2,625,550	2,245,404	380,146
Culture and Recreation	420,143	468,143	420,593	47,550
Community Development	168,641	178,641	79,892	98,749
Miscellaneous Expenditures	411,457	486,457	353,704	132,753
Debt Service - Principal	51,500	51,500	51,500	-
Debt Service - Interest	3,500	3,500	3,615	(115)
Total Expenditures	15,708,165	16,254,165	14,839,099	1,415,066
Excess of Revenues Over (Under) Expenditures	(3,476,279)	(4,022,279)	24,863	4,047,142
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Fixed Assets		-	35,601	35,601
Transfers In	2,335,000	2,395,000	2,335,000	(60,000)
Transfers Out	(1,255,500)	(1,469,500)	(1,958,816)	(489,316)
Total Other Financing Sources (Uses)	1,079,500	925,500	411,785	(513,715)
Net Change in Fund Balance	(2,396,779)	(3,096,779)	436,648	3,533,427
FUND BALANCE - JANUARY 1, 2008	2,900,000	3,600,000	7,886,020	4,286,020
FUND BALANCE - DECEMBER 31, 2008	\$ 503,221	\$ 503,221	\$ 8,322,668	\$ 7,819,447

WHITEMARSH TOWNSHIP
Combining Balance Sheet
All Non-Major Governmental Funds
December 31, 2008

ASSETS	Liquid Fuels Fund	Light and Hydrant Fund	Refuse Fee Fund	Park Fund	Impact Fee Fund	Capital Equip. Reserve	Traffic Improve. Fund	Total
Cash and Cash Equivalents	\$ 366,619	\$ 331,159	\$ 52,685	\$ 140,151	\$ 24,636	\$ 33,014	\$ 137,113	\$ 1,085,377
Investments						101,788	466,503	568,291
Taxes and Special Assessments Receivable		17,028	39,732	11,150				67,910
Total Assets	<u>\$ 366,619</u>	<u>\$ 348,187</u>	<u>\$ 92,417</u>	<u>\$ 151,301</u>	<u>\$ 24,636</u>	<u>\$ 134,802</u>	<u>\$ 603,616</u>	<u>\$ 1,721,578</u>
LIABILITIES AND FUND EQUITY								
Liabilities:								
Accounts Payable		\$ 27,409		\$ 1,499				\$ 28,908
Accrued Wages Payable				3,676				3,676
Deferred Revenue		17,028	\$ 39,732	11,150				67,910
Total Liabilities	-	44,437	39,732	16,325	-	-	-	100,494
Fund Equity:								
Unreserved Fund Balance:								
Designated	\$ 366,619						\$ 603,616	970,235
Undesignated		303,750	52,685	134,976	\$ 24,636	\$ 134,802		650,849
Total Fund Equity	366,619	303,750	52,685	134,976	24,636	134,802	603,616	1,621,084
Total Liabilities and Fund Equity	<u>\$ 366,619</u>	<u>\$ 348,187</u>	<u>\$ 92,417</u>	<u>\$ 151,301</u>	<u>\$ 24,636</u>	<u>\$ 134,802</u>	<u>\$ 603,616</u>	<u>\$ 1,721,578</u>

WHITEMARSH TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended December 31, 2008

	Liquid Fuels Fund	Light and Hydrant Fund	Refuse Fee Fund	Park Fund	Impact Fee Fund	Capital Equip. Reserve	Traffic Improve. Fund	Total
REVENUES:								
Real Estate Taxes				\$ 365,881				\$ 365,881
Interest Earnings	\$ 28,302			2,561	\$ 475	\$ 2,328	\$ 13,648	47,314
Rental Income				13,156				13,156
Intergovernmental Revenue	362,882		\$ 19,280	7,145				389,307
Charges for Services			1,454,500	441,612				1,896,112
Special Assessments		\$ 176,024						176,024
Miscellaneous Revenue				4,532	4,000			8,532
Total Revenues	391,184	176,024	1,473,780	834,887	4,475	2,328	13,648	2,896,326
EXPENDITURES:								
General Government		16,921					(113)	16,808
Public Safety - Other		91,005						91,005
Public Works - Highway and Streets		49,321						49,321
Culture and Recreation				966,871				966,871
Total Expenditures	-	157,247	-	966,871	-	-	(113)	1,124,005
Excess of Revenues Over (Under) Expenditures	391,184	18,777	1,473,780	(131,984)	4,475	2,328	13,761	1,772,321
OTHER FINANCING SOURCES (USES)								
Transfers In		16,500		239,000		10,000		265,500
Transfers Out	(810,000)		(1,460,000)					(2,270,000)
Total Other Financing Sources and (Uses)	(810,000)	16,500	(1,460,000)	239,000	-	10,000	-	(2,004,500)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(418,816)	35,277	13,780	107,016	4,475	12,328	13,761	(232,179)
FUND BALANCES - JANUARY 1, 2008	785,435	268,473	38,905	27,960	20,161	122,474	589,855	1,853,263
FUND BALANCES - DECEMBER 31, 2008	\$ 366,619	\$ 303,750	\$ 52,685	\$ 134,976	\$ 24,636	\$ 134,802	\$ 603,616	\$ 1,621,084

WHITEMARSH TOWNSHIP
Combining Statement of Net Assets - Fiduciary Funds
December 31, 2008

	Trust Funds				Agency Funds			
	Municipal Pension Fund	Police Pension Fund	Police Supplemental Pension Fund	Deferred Compensation Fund	Total	Escrow Fund	Tax Collector Account	Total
ASSETS								
Cash and Cash Equivalents	\$ 2,206,781	\$ 561,560	\$ 291,363		\$ 3,059,704	\$ 532,772	\$ 262,691	\$ 795,463
Investments	1,327,532	9,471,419	125,138	\$ 1,534,510	12,458,599	10,908		10,908
Due From Primary Government	7,349				7,349			-
Accrued Interest		25,657	1,941		27,598			-
Total Assets	<u>\$ 3,541,662</u>	<u>\$ 10,058,636</u>	<u>\$ 418,442</u>	<u>\$ 1,534,510</u>	<u>\$ 15,553,250</u>	<u>\$ 543,680</u>	<u>\$ 262,691</u>	<u>\$ 806,371</u>
LIABILITIES								
Escrowed Subdivision Fees					-	\$ 543,680		\$ 543,680
Due to Taxpayers/Governments					-		\$ 262,691	262,691
Total Liabilities	-	-	-	-	-	<u>\$ 543,680</u>	<u>\$ 262,691</u>	<u>\$ 806,371</u>
NET ASSETS								
Held in Trust for Pension Benefits	<u>\$ 3,541,662</u>	<u>\$ 10,058,636</u>	<u>\$ 418,442</u>	<u>\$ 1,534,510</u>	<u>\$ 15,553,250</u>			
Total Net Assets	<u>3,541,662</u>	<u>10,058,636</u>	<u>418,442</u>	<u>1,534,510</u>	<u>15,553,250</u>			
Total Liabilities and Net Assets	<u>\$ 3,541,662</u>	<u>\$ 10,058,636</u>	<u>\$ 418,442</u>	<u>\$ 1,534,510</u>	<u>\$ 15,553,250</u>			

WHITEMARSH TOWNSHIP
Combining Statement of Changes in Net Assets - Fiduciary Funds
For the Year Ended December 31, 2008

	Trust Funds				Total
	Municipal Pension Fund	Police Pension Fund	Police Supplemental Pension Fund	Deferred Compensation Fund	
ADDITIONS					
Contributions:					
Municipal Contribution	\$ 201,956	\$ 290,854			\$ 492,810
Employee Contribution	179,391			\$ 263,631	443,022
Other Contributions	1,381	12,064	\$ 5,300		18,745
Total Contributions	<u>382,728</u>	<u>302,918</u>	<u>5,300</u>	<u>263,631</u>	<u>954,577</u>
Investment Earnings:					
Net Increase (Decrease) in Fair Value of Investments	(507,944)	(3,784,426)	(33,890)	(610,494)	(4,936,754)
Interest and Dividends	396	588,644	16,246		605,286
Total Investment Earnings	<u>(507,548)</u>	<u>(3,195,782)</u>	<u>(17,644)</u>	<u>(610,494)</u>	<u>(4,331,468)</u>
Total Additions	<u>(124,820)</u>	<u>(2,892,864)</u>	<u>(12,344)</u>	<u>(346,863)</u>	<u>(3,376,891)</u>
DEDUCTIONS					
Benefits Paid	207,973	817,484	(10,222)	13,981	1,029,216
Administrative Expenses	5	71,544	3,234	805	75,588
Total Deductions	<u>207,978</u>	<u>889,028</u>	<u>(6,988)</u>	<u>14,786</u>	<u>1,104,804</u>
Change in Net Assets	<u>(332,798)</u>	<u>(3,781,892)</u>	<u>(5,356)</u>	<u>(361,649)</u>	<u>(4,481,695)</u>
Net Assets - Beginning of Year:					
As Previously Stated	3,874,460	13,840,528	423,798	-	18,138,786
Prior Period Adjustment				1,896,159	1,896,159
As Restated	<u>3,874,460</u>	<u>13,840,528</u>	<u>423,798</u>	<u>1,896,159</u>	<u>20,034,945</u>
Net Assets - End of Year	<u>\$ 3,541,662</u>	<u>\$ 10,058,636</u>	<u>\$ 418,442</u>	<u>\$ 1,534,510</u>	<u>\$ 15,553,250</u>

DRESLIN AND COMPANY, INC.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Supervisors
Whitemarsh Township
Lafayette Hill, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Whitemarsh Township, Pennsylvania, as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July xx, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitemarsh Township, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Whitemarsh Township, Pennsylvania's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Whitemarsh Township, Pennsylvania's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Whitemarsh Township, Pennsylvania's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Whitemarsh Township, Pennsylvania's financial statements that is more than inconsequential will not be prevented or detected by Whitemarsh Township, Pennsylvania's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Whitemarsh Township, Pennsylvania's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whitemarsh Township, Pennsylvania's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Township's Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dreslin and Company, Inc.

September 10, 2009